

STATE OF TENNESSEE

Office of the Attorney General



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September 4, 2002

Chairman Sara Kyle
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

**RE: IN RE: UNITED CITIES GAS COMPANY, a Division of ATMOS ENERGY
CORPORATION INCENTIVE PLAN ACCOUNT (IPA) AUDIT
Docket No.: 01-00704**

Dear Chairman Kyle:

Enclosed is an original and fourteen copies of the Attorney General's First Set of Interrogatories, Requests for Production of Documents & Things and Requests for Admission to United Cities Gas Company. We request that these documents be filed with the TRA in this docket. Please be advised that all parties of record have been served copies of these documents. If you have any questions, kindly contact me at (615) 532-3382. Thank you very much.

Sincerely,

A handwritten signature in cursive script that reads "Shilina B. Chatterjee".

Shilina B. Chatterjee
Assistant Attorney General

Enclosures

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**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:) DOCKET NO. 01-00704
)
UNITED CITIES GAS COMPANY, a)
Division of ATMOS ENERGY)
CORPORATION INCENTIVE PLAN)
ACCOUNT (IPA) AUDIT)

**ATTORNEY GENERAL'S FIRST SET OF INTERROGATORIES, REQUESTS
FOR PRODUCTION OF DOCUMENTS & THINGS AND REQUESTS FOR
ADMISSION TO UNITED CITIES GAS COMPANY**

The Tennessee Office of the Attorney General, through the Consumer Advocate & Protection Division ("Attorney General"), propounds the following Interrogatories, Requests for Production, and Requests for Admission upon United Cities Gas Company, a Division of Atmos Energy Corporation ("UCG"), pursuant to Rules 26, 33, 34 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg 1220-1-2-.11. We request that full and complete responses be provided, under oath, pursuant to Rule 36 of the Tennessee Rules of Civil Procedure. The documents and things requested are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate & Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Russell T. Perkins, by September 19, 2002, or alternatively, if another mutually agreeable date and place are agreed upon by the parties.

PRELIMINARY MATTERS AND DEFINITIONS

These Interrogatories and Requests for Production are to be considered continuing in nature, and are to be supplemented from time to time as information is received by the UCG and/or Atmos Energy Corporation which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that UCG seasonably supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

Each Interrogatory and Request for Production calls for all knowledge which UCG has as a party, as distinguished from the solitary knowledge of UCG as an entity or person. That is to say, the answers are to include all knowledge available to UCG, as a party, or Atmos Energy Corporation, whether it be UCG's or Atmos' solitary knowledge or the knowledge of UCG's attorney or other representative.

For purposes of these Interrogatories, Requests for Production of Documents, and Requests for Admission, the term "you" shall mean and include: UCG, Atmos Energy Corporation and all employees, agents and representatives thereof.

The term "identity" and "identify" as used herein, with respect to any person, means to provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of

business currently conducted by that entity; with respect to any document, those terms mean to provide the date of the document, the nature of the document, and the title (if any) of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, and includes, without limitation, the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, memorandum (including memoranda, note or report of a meeting or conversation), photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

If you produce documents in response to these Interrogatories and Requests for Production of Documents, please produce the original of each document or, in the alternative, identify the location of the original document. If the "original" document is itself a copy, that copy should be produced as the original.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- a. the nature of the communication;
- b. the date of the communication;
- c. the identity of the persons present at such communication; and
- d. a brief description of the communication sufficient to allow the Court to rule

on a motion to compel.

If any of the requested documents are not produced on the basis of privilege or immunity, include in your response to production, for each document, a written statement evidencing:

- a. the nature of the document;
- b. the date;
- c. the author of the document;
- d. the recipient;
- e. the sender; and
- f. a brief description of the contents sufficient to allow the Court to rule on a motion to compel.

INTERROGATORIES

Consistent with the preceding definitions and preliminary matters, answer under oath the following specific interrogatories.

1. Identify the person who has responded to these interrogatories or who has furnished information or otherwise assisted in the formation of the responses of these interrogatories. If more than one person supplies information in response to these interrogatories, please specify by each person's name the number(s) of the interrogatory(ies) to which that person is responding.

RESPONSE:

2. Identify all persons known to you, your attorney, or other agent who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any

document(s) regarding the incidents and/or transactions which form the basis of UCG contesting the audit findings of the Energy and Water Division of the TRA in Docket No. 01-00704.

RESPONSE:

3. If it is claimed that the TRA, or any individual claimed to be an employee, agent, or representative of the TRA, made any representations, statements, purported admissions of liability or responsibility, or any other statements whatsoever, to you, to any attorney for or representative of you, or to any third party, as relates to the incidents and/or transactions which form the basis of UCG contesting the audit findings of the Energy and Water Division of the TRA in Docket No. 01-00704, then, with respect to each, state:

a. the date, time and place;

RESPONSE:

b. the identity of the person to whom such statement was made;

RESPONSE:

c. the identity of all persons present;

RESPONSE:

d. the substance of each such statement; and

RESPONSE:

e. whether such statement was recorded, written, or whether notes were made to refresh someone's recollection, and if so, the present location of each such recording, writing, or notes.

RESPONSE:

4. With respect to each person you expect to call as an expert witness at the hearing of this matter, state:

a. their full name and work address;

RESPONSE:

b. each subject matter about which such witness is expected to testify;

RESPONSE:

c. the substance of the facts and opinions to which the expert is expected to testify;

RESPONSE:

d. a summary of the grounds or basis of each opinion to which such witness is expected to testify; and

RESPONSE:

e. whether or not the expert has prepared a report, letter of memorandum of his findings, conclusions or opinions.

RESPONSE:

5. Identify all other experts consulted or engaged by you, your attorney or your agents regarding your contesting of the audit findings of the Energy and Water Division of the TRA in Docket No. 01-00704.

RESPONSE:

6. If UCG or Atmos has informed or educated its Tennessee customers that their natural-gas bills are affected by the company's "gas procurement incentive mechanism," provide copies of all pertinent documents.

7. Where UCG or Atmos, or anyone on behalf of UCG or Atmos, has intervened in any proceedings before the Federal Energy Regulatory Commission at any time since the company's "gas procurement incentive mechanism" began in Tennessee, name the FERC dockets and provide full copies of pleadings, briefs and testimony made by the company, or on its behalf, in those dockets.

RESPONSE:

8. If UCG or Atmos have any criteria for intervening in FERC dockets, provide copies of all documents pertaining to such criteria.

RESPONSE:

9. Provide copies of all documents, including email and minutes of the company's Board of Directors, in the possession of the company or its consultants, where the documents are not protected by the attorney-client privilege and where UCG or Atmos discuss the "gas procurement incentive mechanism" in Tennessee.

RESPONSE:

10. What pipelines have transported natural gas for UCG or Atmos since the time the "gas procurement incentive mechanism" began in Tennessee?

RESPONSE:

11. If UCG or Atmos have at any time since the "gas procurement incentive mechanism" began in Tennessee and before November 2000, paid a pipeline to transport natural gas where the price for transport was less than the maximum price for such transport listed in the pipeline's tariffs filed with FERC, then provide a record of each transaction, where each record lists the pipeline, its maximum price, the price paid by UCG or Atmos, the month and year of the transaction.

RESPONSE:

12. Explain why a pipeline would transport gas for UCG or Atmos at a price less than the maximum price for transport.

RESPONSE:

13. If UCG or Atmos knows how a pipeline calculates its maximum price to transport gas, show the calculations that lead to the maximum price.

RESPONSE:

14. If UCG or Atmos has informed any pipeline about the "gas procurement incentive mechanism" in Tennessee, provide copies of all documents, including any contract pending or contingent with any pipeline that knows of the "gas procurement incentive mechanism" in Tennessee, any email, telephone logs and any other written documents, including minutes of the company's Board of Directors, where UCG or Atmos told the pipeline about the "gas procurement incentive mechanism" in Tennessee.

RESPONSE:

15. If UCG or Atmos or their consultants informed any pipeline that the UCG or Atmos intends to use the pipeline's maximum prices in the "gas procurement incentive mechanism" in Tennessee, provide copies any email, telephone logs and any other written documents, including minutes of the company's Board of Directors, where UCG or Atmos told the pipeline about the intent to use the pipeline's maximum prices in the "gas procurement incentive mechanism" in Tennessee.

RESPONSE:

16. If UCG or Atmos or their consultants have ever offered or intend to offer any pipeline a *quid pro quo* or any other consideration in exchange for a pipeline transporting gas for UCG or Atmos at a price less the pipeline's maximum price, then explain why a *quid pro quo* or other consideration is necessary to encourage a pipeline to transport gas at less than the maximum price.

RESPONSE:

17. If any pipeline ever requested from UCG or Atmos or their consultants a *quid pro quo* or any other consideration in exchange for the pipeline transporting gas for UCG or Atmos at a price less the pipeline's maximum price, then explain why a *quid pro quo* or other consideration is necessary to encourage a pipeline to transport gas at less than the maximum price.

RESPONSE:

18. What incentive does UCG or Atmos have to prevent the pipeline from raising its maximum price when UCG or Atmos is allowed to keep a portion of the difference between the actual price paid and the maximum price?

RESPONSE:

19. If UCG or Atmos provided to any state regulatory agency (other than the Tennessee Regulatory Authority) testimony, briefs and pleadings regarding the use of maximum pipeline prices in any gas-incentive program or mechanism carried on in states beside Tennessee, provide full copies of those documents.

RESPONSE:

20. If your response to any Request for Admission is other than an unqualified admission, state for each such Request for Admission the following:

- a. all facts that you contend support in any manner your refusal to admit or your qualification of your admission;

RESPONSE:

- b. for any information you contend is incorrect or inaccurate provide the correct information;

RESPONSE:

- c. identify all documents, or any tangible or intangible thing that supports in any manner your refusal to admit or your qualification of your admission;

RESPONSE:

- d. the name and address of the custodian of all tangible things identified in response to subsection (b) of this interrogatory; and

RESPONSE:

- e. the name and address of all persons, including consultants, purporting to have any knowledge or factual data upon which you base your refusal to admit or your qualification of your admission.

RESPONSE:

21. If you fail to admit or deny any Request for Admission based on your asserted lack of information or knowledge, for each such Request for Admission:

- a. describe your efforts toward satisfying the reasonable inquiry requirement of Rule 36 of the Tenn. R. Civ. Pro.;

RESPONSE:

- b. identify all documents or any other tangible or intangible thing that you reviewed prior to determining that you lacked sufficient information or knowledge to be able to admit or deny the request;

RESPONSE:

- c. describe and identify what information is known or readily obtainable by you through reasonable inquiry;

RESPONSE:

- d. state the grounds for your position that the information set out in your response to subsection (c) of this interrogatory is insufficient to enable you to admit or deny the request.

RESPONSE:

REQUESTS FOR THE PRODUCTION OF DOCUMENTS AND THINGS

Consistent with the preceding definitions and preliminary matters, you are requested to produce the documents and things described in the following paragraphs.

1. Copies of any and all documents identified in your answers or responses to these interrogatories.

RESPONSE:

2. Copies of any and all documents reviewed to prepare your answers or responses to these interrogatories and/or requests for admissions.

RESPONSE:

3. Any and all expert reports which have been obtained from any expert.

RESPONSE:

4. Copies of any and all statements previously made by the TRA concerning the subject matter of this lawsuit, including, without limitation, any written statements signed or otherwise adopted or approved by the TRA, and any stenographic, mechanical, electrical, or other type of recording or transcription thereof made by TRA and contemporaneously recorded.

RESPONSE:

5. Each document, photograph, or any other article or thing whatsoever, which you claim to corroborate any part of your contesting of the audit findings of the Energy and Water

Division of TRA in Docket No. 01-00704 (which have not been previously produced or filed in the record), whether as to the issues of liability, causation, damages, credibility or any other issue, or which is adverse to your contentions regarding the issues of liability, causation, damages, or any other issue.

RESPONSE:

VERIFICATION

I, _____, hereby depose and say, after having been first duly sworn, that I have read the foregoing Interrogatories and the answers and responses thereto are true according to the best of my knowledge, information, and belief.

Name: _____

Title: _____

STATE OF _____)

COUNTY OF _____)

Personally appeared before me, _____, with whom I am personally acquainted, and who acknowledged that he has answered the foregoing Interrogatories and executed the foregoing instrument for the purposes therein contained.

Witness my hand, at office, on this _____ day of _____, 2002.

NOTARY PUBLIC

My Commission Expires: _____

REQUESTS FOR ADMISSION

Consistent with the proceeding definitions and preliminary matters, you are requested to admit to the following statements of fact.

1. UCG's inclusion in its Performance Based Ratemaking ("PBR") of the savings resulting from negotiated transportation discounted contracts is inconsistent with the TRA's Final Order in Docket No. 97-01364.

RESPONSE:

2. UCG supplemented their current formulas with additional calculations that are not consistent with the TRA's Final Order on Phase II in Docket No. 97-01364.

RESPONSE:

3. UCG inclusion of the negotiated transportation contracts in the PBR for the 2000-2001 plan year is not consistent with the tariff filed by UCG in this matter.

RESPONSE:

4. The final calculations that were determined by UCG do not conform to its incentive plan approved in TRA Docket No. 97-01364.

RESPONSE:

5. There is no market index of maximum prices for the transport of natural gas.

RESPONSE:

6. The PBR covers all the associated commodity costs for purchasing, delivering and storing of gas to the end consumer.

RESPONSE:

7. In the Original Docket (Docket No. 97-01364), the TRA collapsed the original five incentive mechanisms of the PBR: (1) gas procurement, (2) seasonal pricing differential, (3) storage gas commodity, (4) transportation capacity cost and (5) storage capacity cost into two mechanisms: (1) gas commodity mechanism and (2) capacity release sales mechanism.

RESPONSE:

8. When the five incentive mechanisms were collapsed into two (2), UCG indicated that the formulas used for these calculations did not need to be changed.

RESPONSE:

9. The indices used to calculate transportation costs account for the effects of market-driven pipeline transportation rates.

RESPONSE:

10. The petition filed on March 31, 1997 by UCG for permission to use an experimental incentive plan does not mention discounted transportation contracts in either the gas commodity or the capacity release sale mechanisms.

RESPONSE:

11. The calculations used to determine the "avoided costs" were transportation rates negotiated in the contract subtracted from the minimum pipeline tariff rates approved by FERC.

RESPONSE:

12. The current method used to calculate benefits for commodity savings is to average the three indices and then multiply it by UCG's total MCF gas purchases.

RESPONSE:

13. Under the PBR, when the commodity costs of gas falls within a deadband of 97.7% to 102% of the total benchmark amounts there is no incentive savings or costs.

RESPONSE:

14. A component of the gas procurement mechanism allows UCG to retain 50% of the savings on gas purchases that are made below 97.7% of the benchmark.

RESPONSE:

15. The benchmark for the PBR is a price index that is composed of the simple average computed each month of the appropriate *Inside FERC Gas Market Report*, *Natural Gas Intelligence* and *NYMEX* indices.

RESPONSE:

16. During the 2000-2001 plan year, UCG had savings on gas purchases for two (2) months.

RESPONSE:

17. UCG reported \$1,052,531 in savings from the negotiated transportation contracts and retained \$526,265.

RESPONSE:

18. The alleged savings generated from the negotiated transportation contracts and the alleged savings from the NORA calculations of avoided transportation costs included in the 2000-2001 plan year were not previously included in the first full year of the approved permanent plan.

RESPONSE:

19. UCG's method for calculation of interest was computed for the 2000-2001 plan year is not calculated the same as the previous plan year.

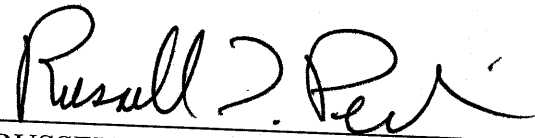
RESPONSE:

As to the Request for Admissions,

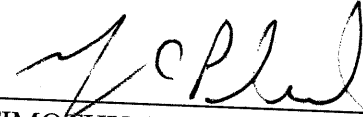
[Print Name] _____
Attorney for defendant

Respectfully submitted,

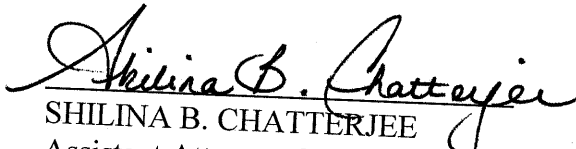
FOR THE STATE OF TENNESSEE:



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CERTIFICATE OF SERVICE

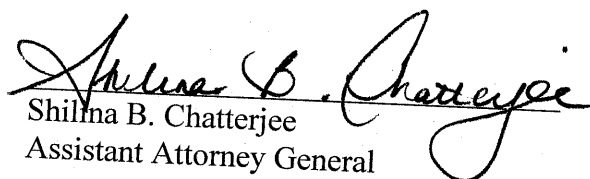
I hereby certify that a true and correct copy of the foregoing was served via facsimile and/or hand delivery on September 4, 2002.

Honorable Sara Kyle
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